



The Emergency Medical Services (EMS) Levy Financial Review responds to Ordinance 15862 requesting a review of the county programs funded by the \$406 million EMS levy and a comparison of the annual revenues, expenditures, and reserves to those identified in the council-adopted financial plan. The report also assesses the reasonableness of the 2008 to 2013 financial plan and model in projecting annual operating budgets and costs, and the adequacy of the established internal controls to properly manage the financial and contractual aspects of levy-funded Advanced Life Support (ALS) services.

We concluded that the implementation of the EMS levy was consistent with the financial plan and model adopted by the King County Council and approved by county voters. The model assumptions, inflationary factors, and reserves were adequate in projecting annual operating costs, and the EMS Division managed the existing reserves and contingency funds in accordance with the levy and financial plan. In addition, the EMS Division and ALS providers also substantially complied with the contractual requirements for using levy funds to implement ALS services. However, policy guidance and a legal review will be necessary to address issues identified during our review regarding full-funding of ALS services and the allowable uses of the EMS levy funds.

Background

King County's Medic One/Emergency Medical Services (EMS) system provides life-saving medical assistance to the 1.8 million residents throughout the county. The levy funds support four countywide programs: advanced life support, basic life support, regional medical services, and strategic initiatives.

Audit Objectives and Findings

The primary audit objectives were to:

- Assess the financial plan and models to determine whether they were reasonable in projecting future operating budgets and costs, and providing for adequate funding and financial stewardship; and
- Evaluate the adequacy of the internal controls established by the EMS Division and the ALS providers to properly account for the use of EMS levy resources and effectively manage their contracts for ALS services.

We concluded that:

- The model assumptions, inflationary factors, and reserves were adequate in projecting annual operating costs for the EMS Programs.
- The implementation of the EMS financial plan in 2008 and process for updating the plan and model variable in 2009 were consistent with the EMS levy financial policies adopted by the King County Council and approved by the voters.
- The EMS Division managed the existing reserves and contingency funds, including the Millage Reduction Reserve, in accordance with the EMS levy and financial plan. The EMS Division

transferred approximately \$4.5 million in excess revenues to the Millage Reduction Reserve at the end of 2008.

- The ALS providers established and maintained sufficient accounting systems and related internal controls to properly manage the financial aspects of their King County contracts. The ALS providers also substantially complied with the 2008 ALS service contract requirements.

However, due to unanticipated economic conditions and unique program costs not considered when the EMS levy was developed, modification of the EMS levy financial plan and model will be required to allow accessing reserves or otherwise address declining property tax revenues. The council is likely to be asked to reconsider the use of selected reserves and designated funds for 2010 and beyond.

During the financial review, we also identified unique program costs that were not covered by the EMS unit allocation model, and discrepancies between the levy financial policies and their relation to supporting attachments and current practices. Policy guidance and legal reviews will be necessary to address issues identified during the review related to the full-funding of ALS services and the allowable uses of the EMS levy funds. Seven recommendations were made to improve the transparency of EMS policies and the actual costs incurred to run the program.

Executive Response

The County Executive concurred with six of seven audit recommendations and partially concurred with one.